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AM 653-1-U

1990 Equipment Dealers Cost of Doing Business

Sales • Margins • Expenses • Net Profit • Financial Ratios
Balance Sheet Data • Employee Studies

North American Equipment Dealers Association
Serving Farm, Industrial and Outdoor Power Dealers

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The tabulation, analysis and publication of the annual "Cost of Doing Business" study has been the responsibility of NAEDA's Earl Becker since 1947. Over the years, Earl has made various changes in the format of the data requested and the manner in which the data was presented, all in an effort to adapt to the changing industry. After 50 years with the association, Mr. Becker is enjoying a well-deserved retirement.

This year some additional data was requested from dealers, and the analysis has been expanded. Dr. Richard Edwards, an agricultural economist for Texas A & M University, deserves the credit for this analysis. Dr. Edwards has worked with equipment dealerships on an individual basis for over ten years, providing him with experience in all areas of equipment dealership operations. He also writes for numerous equipment periodicals, including NAEDA's *Farm and Power Equipment Dealer* magazine.

— Foreword —

The annual Cost of Doing Business Surveys are conducted by direct mailings of questionnaires to dealer-members throughout the United States and Canada. The mailing in the current year was made to approximately 6,700 dealers. Hundreds of dealers responded to the survey. Approximately half of the dealers submitted information on the questionnaire forms, and others sent computer printouts or regular financial statements. This publication is made possible only through the cooperation of these dealers and their bookkeepers who took time out of busy schedules to compile the information.

Questionnaires used in the survey conform to the five industry accounting systems, Case-International, Deere, Ford, Massey-Ferguson and the Association "FER-500" and were designed to secure significant information on departmental sales and margins, a breakdown of dealer expenses and balance sheet and employee data.

The number of members and participants in each of the ten North American regions (identified on the front cover) is tabulated below:

Region	No. of Dealer-Members	Percent of Dealer Participation
Northeast	915	7.65%
Southeast	774	7.36
Corn Belt	1563	10.81
Lake States	878	12.64
Northern Plains	471	12.10
Middle Plains	577	12.13
Southern Plains Delta	503	8.95
Pacific	308	16.56
Western Canada	383	17.23
Eastern Canada	358	9.78
Total	**6730**	**10.86**

Dealer Participants by Sales Volume Category (Agricultural Dealers)

Sales	Percent of Total 1990	1989	1988	1987	1986
$0 to $1 Million	6%	11%	13%	17%	22%
$1 Mil to $2 Mil	19	26	32	27	343
$2 Mil to $3 Mil	22	19	22	22	21
$3 Mil and Over	NA	44	34	24	23
$3 Mil to $5 Mil	30	These categories not defined in previous reports			
$5 Mil to $7.5 Mil	14				
$7.5 Mil to 10 Mil	5				
Over $10 Mil	4				

Separate studies of agricultural and outdoor power dealers are included. Dealers are classified as agricultural, industrial or outdoor power if 50 percent or more of their equipment sales fit in one of these classes of goods. Industrial dealers who participated in this year's survey will receive a study covering industrial dealer's only, under a separate cover. This group is not included in any of the presentations in this report.

Percentage Calculations

Percentages for margins and expenses are computed by dividing the dollar amount of each item by sales. Percentages shown in the balance sheet studies are in relation to Total Assets.

Operating percentages are important since they reflect the degree of operating efficiency regardless of size. These figures are the true test of performance and serve as a sound basis for accurate comparisons.

NOTE: Individual dealer financial and operating information is held in strictest confidence at the Association headquarters. All of the report editing is performed "in house" and completely tabulated on NAEDA's own computer system.

1990 COST OF DOING BUSINESS ANALYSIS

■ What's New

There are two major additions to this years' report: an increase in the number of volume groups and results of survey questions relating to dealers' use of computers, service department incentive payment plans, and billing methods of the service department.

Prior to 1990, there were four volume categories: less than 1 million dollars, 1 to 2 million dollars, 2 to 3 million dollars, and over 3 million dollars. The first three categories remain unchanged. Only the last category was altered. This category has been expanded to reflect data in the categories of volumes of 3.0 to 5.0 million dollars, 5.1 to 7.6 million dollars, 7.6 to 10 million dollars, and greater than 10 million dollars. Thus, rather than four volume categories, the 1990 and subsequent studies will have seven.

Questions relating to computer utilization and service department usage of various payment and billing systems were added to this years' survey form. The complete questions and results are shown in a later section of this report.

■ North American Agricultural Dealer Averages

Six hundred fifty-five (655) agricultural dealers responded to the 1990 Cost of Doing Business Study. The responses were to a direct-mail survey of members in the United States and Canada. The number of usable returns was substantially lower than a year ago. However, a considerable number of returns were not used, due to lack of appropriate departmentalization or detail.

■ Sales Volume and Profitability

Sales volume of the average farm equipment dealer reporting in the 1990 survey was up 20.4 percent over 1989, rising from $3,282,000 to $3,953,000. (Figure 1) The increase was almost identical to that of a year ago. Using 1987, the first year of the recovery as a benchmark, volume has increased nearly 70 percent.

Profit before taxes was $102,000 in 1990, compared to $84,200 the previous year. The 1990 percentage increase in profit was identical to the volume increase. Profitability as a percentage of sales continued to improve in 1990, rising slightly from 2.56 percent to 2.58 percent. Return on invested capital increased nearly two percentage points, from 16.01 percent in 1989 to 17.86 percent in 1990.

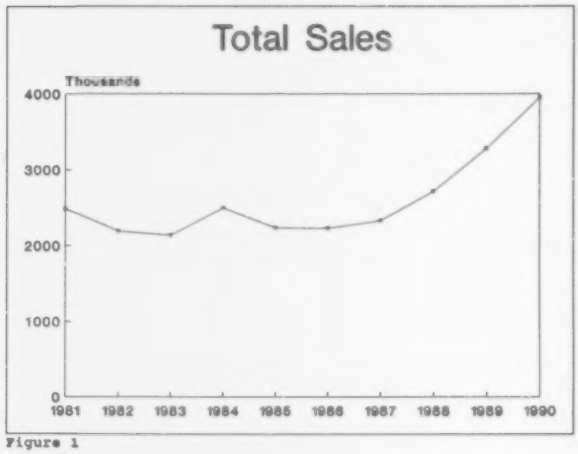

Figure 1

■ Equipment Sales and Margins

Sales of equipment were up over 23 percent in 1990 compared to 1989. New equipment showed an increase of approximately 21 percent, while used equipment sales were up over 30 percent during the year. (Figure 2)

Larger quantities of tractors and equipment are being moved by dealers at an ever-increasing sacrifice in sales margins.

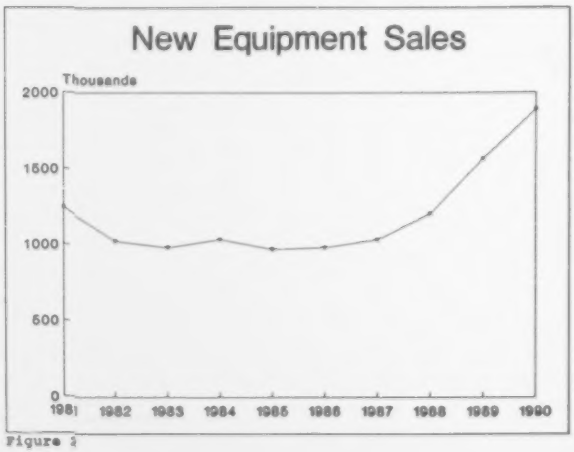

Figure 2

Margins on sales of equipment are lower for the third year in a row, dropping from 8.04 percent in 1988 to 7.87 percent in 1989 and to 6.59 percent in 1990. (Figure 3) However, margin dollars have increased each of these years albeit a slight jump from 1989 to 1990. The margins from these years, beginning in 1988, were $142,800, $173,200 and $179,200.

Pressure to stock equipment is evident in the dealer balance sheets which show advances of approximately 35 percent in inventories and 49 percent in floor plan liability over the 1989 levels. The increase in new and used inventories was almost identical.

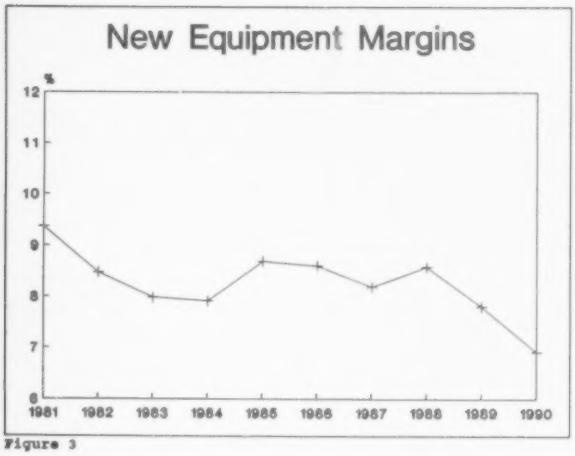

Figure 3

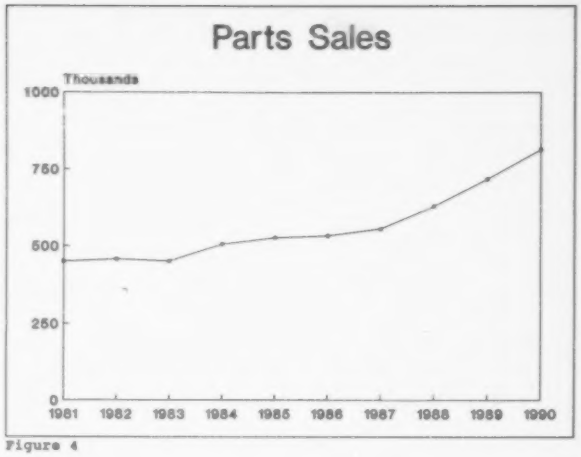

Figure 4

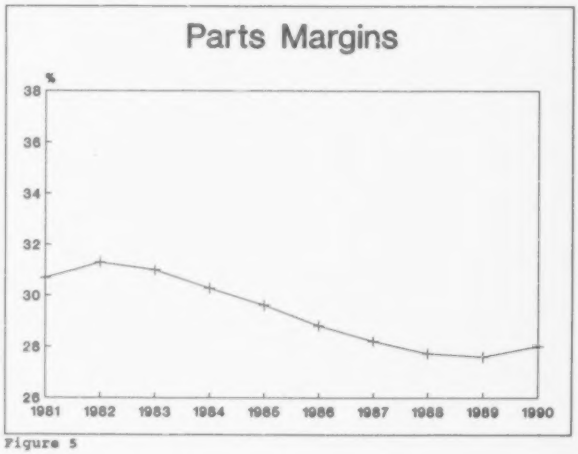

Figure 5

■ Parts

For the fourth consecutive year, dealers showed significant increases in sales. (Figure 4) The 1990 parts volume was $814,400. This was an increase of 13.41 percent from 1989. Since 1987, sales have risen 46.4 percent.

Margins on parts sales were higher in 1990 than in 1989. (Figure 5) This was the first increase shown in the past six years. In 1990, the margin percentage was 28.03 percent of sales compared to 27.65 percent in the prior year. The 1989 figure was the lowest margin percentage recorded during the previous ten-year period. The combined increase in sales and margin percentage caused the 1990 parts gross margin dollars to advance 15 percent above the previous year.

■ Service

A dramatic improvement in margins on service labor was shown by dealers in 1990. (Figure 6, see page 4) These margins increased by over four percentage points, going from 44.27 percent in 1989 to 48.86 percent in 1990. Sales volume was also up a significant amount. It jumped ahead by 23.7 percent. The enhanced margin percentage and sales volume compounded into a margin dollar increase of 36.4 percent over the previous year. During the past four years, service volume has increased 67.3 percent, and margin dollars are up by 86.8 percent. (Figure 7, see page 4)

Figure 6

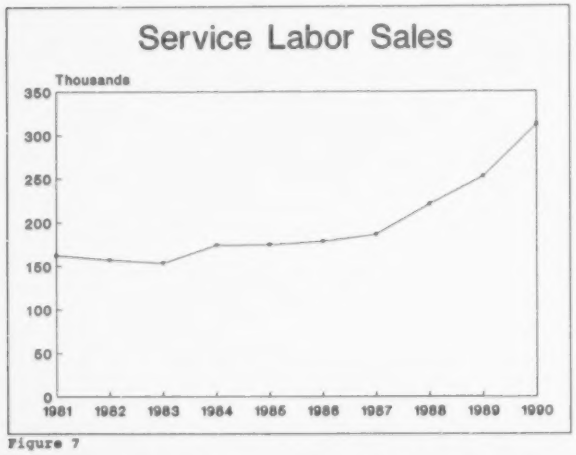

Figure 7

■ Operating Margin and Overhead

The story of dealership margins for 1990 is told by what happened to margins on equipment sales. Dealers were under the pressures of swollen inventories and increased floor plan debt. Even improved margins on parts and service were not sufficient to overcome this unfavorable situation. Total dealerships margin dropped from 15.39 percent to 14.77 percent of total sales, a slight decline of 0.62 of a percentage point. (Figure 8)

Fortunately for dealers, the declining margins were coupled with declining overhead. The reduction in overhead as a percentage of sales exactly matched the drop in total margin. Total overhead expenses went down from 15.11 percent to 14.49 percent of sales, 0.62 percent.

An increase in volume was the key to profitability in 1990. With the offsetting effect of the sales margins and expenses, the 1990 increase in profit was directly related to the effect of volume. This is shown by the magnitude of the other income category which is primary income generated by volume discounts.

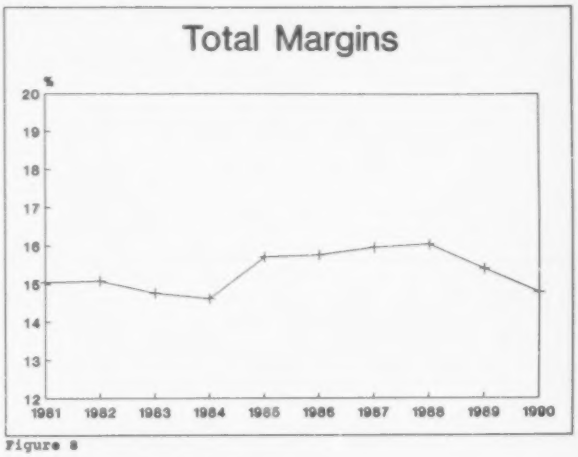

Figure 8

■ Relationship Between Profitability and Sales Volume

Cost of Doing Business studies of recent years have shown the relationships existing between volume of sales and dealership profitability. The relationships are: dealerships with the greater sales volume have, 1) a lower margin percentage on equipment sales, 2) a lower margin percentage on total sales, 3) a lower expense ratio to sales, and 4) a higher return on net worth. The pattern was adhered to in 1990 with the two high-sales volume groups (over $7,500,000) consistently enjoying higher net profits and greater returns on net worth than the other volume groups.

■ Bank Charges

As might be expected with higher floor plan liability, the cost of borrowing was higher in 1990. Bank charges, which include interest expenses, increased from 0.93 percent of sales to 0.99 percent during the year. This expense item has hovered near 1.00 percent of sales for the past few years with only slight variations.

Here again, sales volume is a key attribute with dealers in the two highest volume categories reporting the lowest interest expense (as a percentage of sales).

■ Salaries and Wages

Total salaries and wages paid to dealership personnel, excluding production mechanics (whose wages are included in cost of sales), was 5.31 percent of sales in 1990, which was down

from 5.66 percent in 1989 and 5.89 percent a year prior.

The total salary and benefit package, which includes salaries, wages and fringe benefits (such as payroll taxes, group insurance, pensions, sick leave, and holidays), amounted to 6.94 percent of sales compared to 7.26 percent in 1989. The trend in recent years has been downward: 1986 - 7.80 percent, 1987 - 7.66 percent, 1988 - 7.56 percent, 1989 - 7.26 percent 1990 - 6.94 percent.

The trend of the total salary and benefit package is also in inverse proportion to total sales with the larger dealers having the benefit of the lowest expense percentage. The range for this expense runs from 10.6 percent of sales for the smallest volume category to around 6.0 percent for the two largest.

■ The Balance Sheet

The only significant change in the average dealership balance sheet was in the area of inventories and floor plan indebtedness previously mentioned.

■ Computer Usage

Included on the survey was the question, "Does your dealership have an in-house, business computer system?" Usable responses totalled 743. Seventy-seven (77) percent of these indicated they had such a system. Fifteen (15) percent said no, and the remaining 8 percent had no response. Computations based on the 690 who answered the question showed the positive and negative percentage shifted to 83 and 17 percent. (Chart 9)

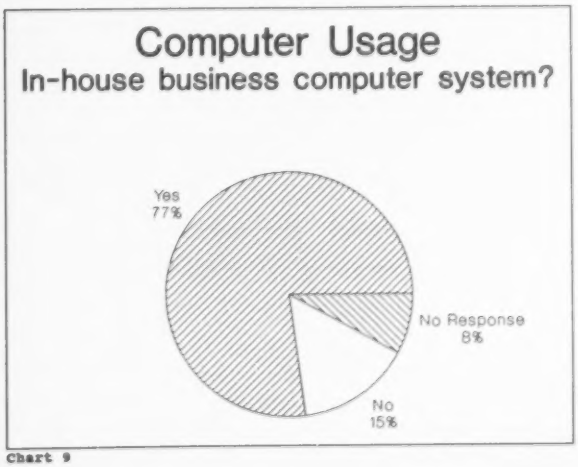

Chart 9

■ Servicemen's Wage Payment Plans

"Do you have your mechanics on an incentive pay plan?" was a question not asked in previous surveys. Eighteen (18) percent said yes, 64 percent said no, and another 18 percent had no response. When the non-responses were removed, the yes and no percentages were 22 and 78 percent. (Chart 10)

A related question was, "Are customers' labor charges based on flat rate or actual hours worked?" The responses posed were flat rate, hours worked, or some of both. The breakdown of the returns were 6 percent flat rate, 46 percent hours worked, 35 percent some of both, and 13 percent no response. The percentages shift to 7 percent flat rate, 52 percent hours worked, and 41 percent some of both, when the returns with no responses were removed from the data. (Chart 11)

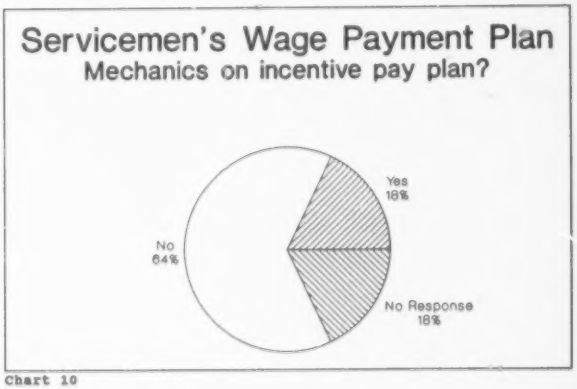

Chart 10

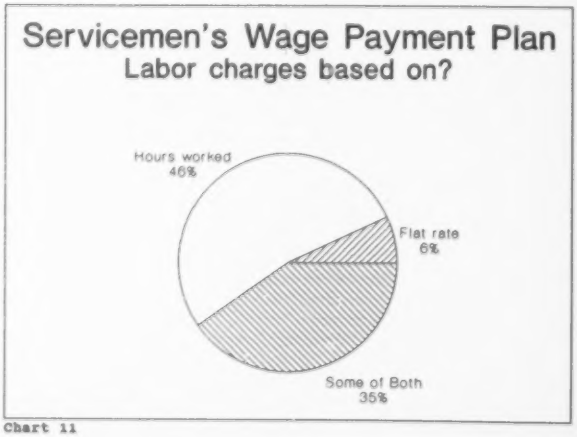

Chart 11

Agricultural Dealer Operations By Sales - by Volume Size

	All Reporting Dealers		Volume Group "A" $0 - 1$ Mil		Volume Group "B" $1 - 2$ Mil	
	Amount	% Sales	Amount	% Sales	Amount	% Sales
SALES						
New Equipment	1,893,275	47.89	315,789	39.76	712,155	47.13
Used Equipment	825,903	20.89	119,526	15.05	228,783	15.14
Total New and Used	**2,719,178**	**68.78**	**435,315**	**54.81**	**940,938**	**62.27**
Parts, Oil, Grease, Tires, etc	814,370	20.60	264,390	33.29	425,999	28.19
Service Labor - Cust, Internal, Sublet	312,001	7.89	82,716	10.41	124,819	8.26
Other Lines	71,425	1.81	8,329	1.05	8,871	0.59
Equip Rental - Short Term	34,667	0.88	3,501	0.44	10,030	0.66
Equip Lease - Long Term	1,545	0.04	0	0.00	343	0.02
TOTAL SALES	**3,953,186**	**100.00**	**794,251**	**100.00**	**1,511,000**	**100.00**
MARGINS						
New Equipment	130,818	6.91	33,444	10.59	61,294	8.61
Used Equipment	48,393	5.86	10,763	9.00	18,689	8.17
Total New and Used	**179,211**	**6.59**	**44,207**	**10.16**	**79,983**	**8.50**
Repair Parts	228,294	28.03	77,261	29.22	122,983	28.87
Service Labor	152,431	48.86	38,263	46.26	59,179	47.41
Other Lines	11,695	16.37	2,159	25.92	1,621	18.27
Equip Rental - Short Term	11,518	33.22	1,734	49.53	6,299	62.80
Equip Lease - Long Term	644	41.68	0	0.00	343	100.00
TOTAL OPERATING MARGIN	**583,793**	**14.77**	**163,624**	**20.60**	**270,408**	**17.90**
EXPENSES						
Salaries - Sales Dept	54,191	1.37	15,410	1.94	24,138	1.60
Travel and Training	8,702	0.22	2,430	0.31	4,081	0.27
Advertising Promotion & Demonstrations	26,617	0.67	7,508	0.95	12,663	0.84
After Sales and Warranty Expense	19,943	0.50	2,768	0.35	4,821	0.32
TOTAL SALES EXPENSE	109,453	2.77	28,116	3.54	45,703	3.02
Salaries - Owners & Store Managers	61,796	1.56	18,590	2.34	29,225	1.93
Salaries - Parts Dept	59,828	1.51	19,582	2.47	30,367	2.01
Salaries Office and Other	34,314	0.87	10,646	1.34	17,064	1.13
Occupance Expense	48,534	1.23	13,895	1.75	22,553	1.49
Utilities (Except Telephone & Radio)	10,893	0.28	5,045	0.64	6,312	0.42
Telephone & Fax	10,890	0.28	3,649	0.46	5,667	0.38
Office Expense & Equip Rental	13,233	0.33	3,754	0.47	7,173	0.47
Computer Expense.	8,471	0.21	1,999	0.25	4,979	0.33
Shop Expense & Equip Rental	16,411	0.42	6,145	0.77	9,097	0.60
Car & Truck Expense & Rental	29,622	0.75	8,100	1.02	12,851	0.85
Taxes - Other (except P/R & R.E.)	6,664	0.17	2,802	0.35	3,748	0.25
Payroll Taxes & Employee Benefits	64,456	1.63	19,954	2.51	27,330	1.81
Dues and Publications	1,321	0.03	604	0.08	770	0.05
Insurance - All (Except Group & R.E.)	25,134	0.64	10,456	1.32	14,452	0.96
Legal,Auditing & Other Prof Fees	5,569	0.14	1,842	0.23	2,616	0.17
Bank Charges	39,014	0.99	9,697	1.22	20,216	1.34
Depreciation Other (Veh, Equip, etc.)	20,872	0.53	4,094	0.52	10,786	0.71
Bad Debts	6,132	0.16	816	0.10	3,178	0.21
Contributions and Miscellaneous	4,168	0.11	1,050	0.13	1,892	0.13
TOTAL EXPENSE	**576,775**	**14.59**	**170,836**	**21.51**	**275,979**	**18.26**
NET PROFIT ON SALES	**7,018**	**0.18**	**-7,212**	**-0.91**	**-5,571**	**-0.37**
OTHER INCOME	**95,028**	**2.40**	**16,387**	**2.06**	**37,912**	**2.51**
NET OPERATING PROFIT OR LOSS (Before Income Taxes)	**102,046**	**2.58**	**9,175**	**1.16**	**32,341**	**2.14**

Volume Group "C" $2 - $3 Mil		Volume Group "D" $3 - $5 Mil		Volume Group "E" $5 - $7.5 Mil		Volume Group "F" $7.5 - 10 Mil		Volume Group "G" Over 10 Mil	
Amount	**% Sales**	**Amount**	**% Sales**	**Amount**	**% Sales**	**Amount**	**% Sales**	**Amount**	**% Sales**
1,235,474	48.82	1,892,290	49.15	2,801,890	46.73	4,037,679	47.58	7,216,971	47.55
461,040	18.22	774,458	20.11	1,261,484	21.04	2,088,262	24.61	3,795,148	25.00
1,696,514	**67.04**	**2,666,748**	**69.26**	**4,063,374**	**67.77**	**6,125,941**	**72.20**	**11,012,119**	**72.55**
599,026	23.67	794,970	20.65	1,219,176	20.33	1,442,360	17.00	2,484,275	16.37
199,665	7.89	305,511	7.93	509,899	8.50	617,883	7.28	1,066,406	7.03
22,820	0.90	46,444	1.21	158,133	2.64	173,527	2.05	445,633	2.94
10,973	0.43	34,650	0.90	44,676	0.75	125,180	1.48	166,243	1.10
1,440	0.06	1,931	0.05	959	0.02	329	0.00	4,486	0.03
2,530,438	**100.00**	**3,850,254**	**100.00**	**5,996,217**	**100.00**	**8,485,220**	**100.00**	**15,179,162**	**100.00**
99,631	8.06	128,601	6.80	172,276	6.15	259,613	6.43	466,303	6.46
35,217	7.64	49,835	6.43	71,294	5.65	89,378	4.28	168,314	4.43
134,848	**7.95**	**178,436**	**6.69**	**243,570**	**5.99**	**348,991**	**5.70**	**634,617**	**5.76**
169,692	28.33	217,976	27.42	344,656	28.27	402,568	27.91	694,316	27.95
94,232	47.20	150,517	49.27	248,386	48.71	308,723	49.96	536,623	50.32
3,374	14.79	6,010	12.94	27,935	17.67	19,854	11.44	88,727	19.91
4,286	39.06	12,660	36.54	17,917	40.10	12,262	9.80	61,053	36.73
227	15.76	242	12.53	464	48.38	329	100.00	2,996	66.79
406,659	**16.07**	**565,841**	**14.70**	**882,928**	**14.72**	**1,092,727**	**12.88**	**2,018,332**	**13.30**
35,835	1.42	52,834	1.37	83,143	1.39	105,147	1.24	188,120	1.24
5,943	0.23	8,624	0.22	13,816	0.23	13,675	0.16	30,307	0.20
18,043	0.71	24,926	0.65	41,890	0.70	47,053	0.55	96,945	0.64
9,572	0.38	17,464	0.45	39,899	0.67	48,152	0.57	81,572	0.54
69,393	2.74	103,848	2.70	178,748	2.98	214,027	2.52	396,944	2.62
42,241	1.67	59,323	1.54	92,589	1.54	121,834	1.44	213,099	1.40
41,340	1.63	58,080	1.51	93,077	1.55	106,193	1.25	189,629	1.25
23,639	0.93	33,158	0.86	52,088	0.87	57,612	0.68	122,089	0.80
33,191	1.31	48,769	1.27	68,284	1.14	75,835	0.89	196,076	1.29
8,340	0.33	10,556	0.27	15,646	0.26	18,476	0.22	30,250	0.20
7,790	0.31	10,697	0.28	16,278	0.27	16,593	0.20	37,675	0.25
10,734	0.42	12,470	0.32	17,671	0.29	18,412	0.22	51,968	0.34
6,705	0.26	9,572	0.25	12,012	0.20	11,722	0.14	18,526	0.12
11,321	0.45	15,230	0.40	25,945	0.43	28,466	0.34	52,639	0.35
20,554	0.81	30,601	0.79	43,165	0.72	54,645	0.64	100,734	0.66
5,478	0.22	5,335	0.14	10,691	0.18	15,181	0.18	16,906	0.11
41,906	1.66	60,989	1.58	105,602	1.76	116,834	1.38	233,183	1.54
981	0.04	1,293	0.03	2,165	0.04	2,137	0.03	2,902	0.02
20,350	0.80	23,181	0.60	34,825	0.58	43,944	0.52	77,833	0.51
3,609	0.14	5,575	0.14	8,586	0.14	9,763	0.12	18,773	0.12
24,101	0.95	39,555	1.03	58,207	0.97	71,273	0.84	134,851	0.89
14,735	0.58	19,769	0.51	32,941	0.55	44,941	0.53	59,125	0.39
3,551	0.14	5,046	0.13	8,788	0.15	8,289	0.10	37,944	0.25
2,542	0.10	4,160	0.11	7,869	0.13	5,601	0.07	13,455	0.09
392,501	**15.51**	**557,207**	**14.47**	**885,177**	**14.76**	**1,041,778**	**12.28**	**2,004,601**	**13.21**
14,158	**0.56**	**8,634**	**0.22**	**-2,249**	**-0.04**	**50,949**	**0.60**	**13,731**	**0.09**
56,645	**2.24**	**93,126**	**2.42**	**143,826**	**2.40**	**244,134**	**2.88**	**325,803**	**2.15**
70,803	**2.80**	**101,760**	**2.64**	**141,577**	**2.36**	**295,083**	**3.48**	**339,534**	**2.24**

Agricultural Dealers

Balance Sheets By Sales - by Volume Size

	All Reporting Dealers		Volume Group "A" $0-1$ Mil		Volume Group "B" $1-2$ Mil	
	Amount	% Total Assets	Amount	% Total Assets	Amount	% Total Assets
ASSETS						
Cash and Marketable Securities	98,993	4.38	32,318	4.78	50,216	4.67
Customer Receivables	162,942	7.22	48,760	7.21	69,918	6.50
Factory Receivables & Other	28,344	1.26	1,368	0.20	12,086	1.12
TOTAL RECEIVABLES	**290,279**	**12.86**	**82,446**	**12.20**	**132,220**	**12.29**
INVENTORIES						
New Equipment	1,108,039	49.07	294,751	43.61	549,732	51.11
Used Equipment	317,237	14.05	65,174	9.64	109,448	10.18
Repair Parts	305,135	13.51	138,649	20.51	169,072	15.72
Other Lines	20,907	0.93	10,568	1.56	2,513	0.23
Rental/Lease Equip	19,571	0.87	3,811	0.56	7,588	0.71
TOTAL INVENTORIES	**1,770,889**	**78.42**	**512,953**	**75.90**	**838,353**	**77.95**
TOTAL CURRENT ASSETS	**2,061,168**	**91.28**	**595,399**	**88.10**	**970,573**	**90.24**
Fixed Assets	151,861	6.73	57,155	8.46	90,365	8.40
Finance Reserve and Other Assets	45,059	2.00	23,297	3.45	14,629	1.36
TOTAL ASSETS	**2,258,088**	**100.00**	**675,851**	**100.00**	**1,075,567**	**100.00**
LIABILITIES AND NET WORTH						
Accounts Payable, Accruals, S/T Notes	343,698		102,028		163,845	
Floor Plan Notes Payable	1,216,609		298,170		536,342	
Long Term Payable	126,288		48,742		87,389	
TOTAL LIABILITIES	**1,686,595**	**74.69**	**448,940**	**66.43**	**787,576**	**73.22**
Net Worth	571,493	25.31	226,911	33.57	287,991	26.78
TOTAL LIABILITIES AND NET WORTH	**2,258,088**		**675,851**		**1,075,567**	

Employee and Service Data/Inventory Turns - by Volume Size

	All Dealers	Vol Grp "A" $0-$1 Mil	VolGrp "B" $1 Mil-2 Mil
PERSONNEL AND SERVICE SHOP DATA			
Avg Nmbr Employees Per Dealer - Incl. Owners	15.70	7.50	9.30
Avg Total Sales Per Employee	251,696	105,900	162,436
Avg Total Assets Per Employee	143,827	90,113	115,652
Avg Number of Salesmen - Including Owners	3.70	2.50	2.50
Avg New and Used Sales Per Salesman	734,912	174,126	376,375
Avg Number of Partsmen	2.60	1.10	1.60
Avg Parts Sales Per Partsman	313,219	240,354	266,249
Avg Number of Servicemen	6.90	2.70	3.70
Avg Service Sales Per Serviceman	45,217	30,635	33,734
Avg Number of Office Employees	1.80	1.00	1.20
Avg Number of Other Employees.	0.70	0.20	0.30
Avg Wage Rate of Top Mechanic	10.51	9.05	9.59
Avg Wage Rate of Regular Mechanic	8.42	7.00	7.81
Avg Shop Rate Charged Customers	31.10	26.07	29.01

	Amount	Times Turn	Amount	Times Turn	Amount	Times Turn
INVENTORIES						
New Equipment	1,108,039	1.59	294,751	0.96	549,732	1.18
Used Equipment	317,237	2.45	65,174	1.67	109,448	1.92
Repair Parts	305,135	1.92	138,649	1.35	169,072	1.79
Other Lines	20,907	2.86	10,568	0.58	2,513	2.88
Rental/Lease Equip	19,571	1.18	3,811	0.46	7,588	0.49
TOTAL INVENTORIES	**1,770,889**	**1.90**	**512,953**	**1.23**	**838,353**	**1.48**
CURRENT RATIO						
Ownership Equity		25.31%		33.57%		26.78%
Turnover of Total Assets		1.75 Times		1.18 Times		1.40 Times
Return on Total Assets		4.52		1.36		3.01
Return on Net Worth		17.86		4.04		11.23

Volume Group "C" $2-$3 Mil		Volume Group "D" $3-$5 Mil		Volume Group "E" $5-$7.5 Mil		Volume Group "F" $7.5-10 Mil		Volume Group "G" Over 10 Mil	
Amount	% Total Assets	Amount	% Total Assets	Amount	% Total Assets	Amount	% Total Assets	Amount	% Total Assets
84,685	5.33	102,395	4.50	108,075	3.45	212,967	5.27	291,906	3.60
101,660	6.39	153,487	6.75	241,380	7.72	387,233	9.58	573,993	7.07
7,948	0.50	26,442	1.16	63,997	2.05	53,799	1.33	109,873	1.35
194,293	**12.22**	**282,324**	**12.42**	**413,452**	**13.22**	**653,999**	**16.18**	**975,772**	**12.02**
793,119	49.89	1,174,276	51.66	1,507,297	48.19	1,741,287	43.09	3,862,073	47.57
204,560	12.87	313,616	13.80	430,062	13.75	620,626	15.36	1,496,538	18.43
242,115	15.23	298,183	13.12	423,416	13.54	535,130	13.24	846,697	10.43
10,380	0.65	14,688	0.65	33,752	1.08	34,109	0.84	159,506	1.96
19,427	1.22	15,676	0.69	12,484	0.40	77,696	1.92	65,628	0.81
1,269,601	**79.86**	**1,816,439**	**79.90**	**2,407,011**	**76.95**	**3,008,848**	**74.45**	**6,430,442**	**79.21**
1,463,894	**92.08**	**2,098,763**	**92.32**	**2,820,463**	**90.16**	**3,662,847**	**90.64**	**7,406,214**	**91.23**
107,601	6.77	131,962	5.80	245,785	7.86	300,841	7.44	436,898	5.38
18,329	1.15	42,538	1.87	61,868	1.98	77,537	1.92	274,810	3.39
1,589,824	**100.00**	**2,273,263**	**100.00**	**3,128,116**	**100.00**	**4,041,225**	**100.00**	**8,117,922**	**100.00**
208,175		323,892		431,110		657,130		1,682,582	
836,429		1,289,780		1,712,505		2,086,935		4,344,222	
105,983		119,773		198,470		116,555		343,177	
1,150,587	**72.37**	**1,733,445**	**76.25**	**2,342,085**	**74.87**	**2,860,620**	**70.79**	**6,369,981**	**78.47**
439,237	27.63	539,818	23.75	786,031	25.13	1,180,605	29.21	1,747,941	21.53
1,589,824		**2,273,263**		**3,128,116**		**4,041,225**		**8,117,922**	

VolGrp "C" $2 Mil-$3 Mil	VolGrp "D" $3 Mil-$5 Mil	VolGrp "E" $5 Mil-$7.5 Mil	VolGrp "F" $7.5 Mil-$10 Mil	VolGrp "G" Over $10 Mil
13.00	15.00	21.40	27.10	44.40
194,538	256,554	280,152	313,095	341,771
122,294	151,550	146,173	149,122	182,836
3.10	3.70	4.50	5.90	8.40
547,262	720,742	902,972	1,038,295	1,310,966
2.00	2.40	3.90	3.90	7.80
299,513	331,237	312,609	369,835	318,496
5.10	6.70	9.70	13.10	22.00
39,150	45,598	52,566	47,166	48,473
1.40	1.80	2.30	2.80	4.80
1.40	0.40	1.00	1.40	1.40
10.30	10.72	11.61	10.50	12.05
8.21	8.57	9.30	8.39	9.75
30.58	31.58	33.96	31.62	34.85

Amount	Times Turn	Amount	Times Turn	Amount	Times Turn	Amount	Times Turn	Amount	Times Turn
793,119	1.43	1,174,276	1.50	1,507,297	1.74	1,741,287	2.17	3,862,073	1.75
204,560	2.08	313,616	2.31	430,062	2.77	620,626	3.22	1,496,538	2.42
242,115	1.77	298,183	1.94	423,416	2.07	535,130	1.94	846,697	2.11
10,380	1.87	14,688	2.75	33,752	3.86	34,109	4.51	159,506	2.24
19,427	0.34	15,676	1.40	12,484	2.14	77,696	1.45	65,628	1.60
1,269,601	**1.67**	**1,816,439**	**1.81**	**2,407,011**	**2.12**	**3,008,848**	**2.46**	**6,430,442**	**2.05**
	27.63%		23.75%		25.13%		29.21%		21.53%
	1.59 Times		1.69 Times		1.92 Times		2.10 Times		1.87 Times
	4.45		4.48		4.53		7.30		4.18
	16.12		18.85		18.01		24.99		19.42

Comparative Analysis Form

	Amount	% Sales	Amount	% Sales
SALES				
New Equipment	$		$	
Used Equipment				
Total New and Used				
Repair Parts				
Service Labor				
Other Lines				
Rental Lease Income				
Total Sales				
MARGINS				
New Equipment				
Used Equipment				
Total New and Used				
Repair Parts				
Service Labor				
Other Lines				
Rental Lease Income				
Total Operating Margin				
EXPENSES				
Salaries - Salesmen				
Travel And Training				
Advertising And Promotion				
After Sales And Warranty Expense				
Total Sales Expense				
Salaries - Officers, Owners				
Salaries - Partsmen				
Salaries Office And Others				
Occupancy Expense				
Heat, Light, Power, Water				
Telephone And FAX				
Office And Store Expense And Postage				
Computer Expense				
Shop Supplies And Expense				
Car And Truck Expense				
Taxes - Except Payroll & Real Estate				
Employee Benefits				
Dues And Subscriptions				
Insurance - Except Group & R.E.				
Legal And Auditing				
Interest & Bank Chgs - Except R.E.				
Depreciation				
Bad Debts				
Contributions And Miscellaneous				
Total Expense				
Net Profit On Sales				
Other Income				
Net Operating Profit Or Loss (Before Income Taxes)				

A Study of Successful Dealers of 1990

Dealers who were in the top 25 percent in profitability in 1990 have again been selected for special study and analysis. There is no way of determining exactly how these dealers managed their businesses differently resulting in a 5.38 percent earnings on sales and 28 percent on their investment versus 2.58 percent and 17.86 percent earned by the average dealer. However, the accompanying table has selected data that emphasizes several areas that perhaps partially explains the success of this group of dealers. (Portions of this data are taken from information not shown in any other table in this study).

Many feel the key to being in the high profit group is to have a very large sales volume, but average sales volume of the high profit dealers is actually about 10 percent less than that of the average dealer. Parts and service margins are comparable, as are operating expenses, as a percentage of sales. Hence, the key to being in the 1990 high profit group was management of margins on wholegoods. The three additional margin points that were gleaned by the more profitable dealers were reflected directly on the bottom line.

The operating data on the most profitable for each "agricultural region" is provided. These regions are identified on the map of North America appearing on the front cover. These tables are provided so all dealers participating in the 1990 Cost of Doing Business Study will have an opportunity to compare their figures with the averages of the "best in the business," by agricultural region.

	All Dealers	High Profit
Total Sales	$3,953,186	$3,656,913
Gross Margins		
Wholegoods	6.59%	9.68%
Parts	28.03%	29.25%
Service	48.86%	50.06%
Total Operating Margins	14.77%	17.80%
Total Operating Expenses	14.59%	14.34%
Profit on Sales	0.18%	3.45%
Other Income	2.40%	1.92%
Operating Profit	2.58%	5.38%

Successful Dealers of 1990

Agricultural Dealer Operations By Sales - by Region

	Northeast		Southeast		Corn Belt		Lake States	
	Amount	% Sales	Amount	% Sales	Amount	% Sales	Amount	% Sales
SALES								
New Equipment	1,201,523	51.42	1,373,472	53.05	1,748,426	45.78	1,787,391	49.22
Used Equipment	340,546	14.57	423,561	16.36	941,566	24.66	801,477	22.07
Total New and Used	**1,542,069**	**65.99**	**1,797,033**	**69.41**	**2,689,992**	**70.44**	**2,588,868**	**71.29**
Parts, Oil, Grease, Tires, etc.	550,793	23.57	564,804	21.82	771,476	20.20	720,559	19.84
Service Labor - Cust, Internal, Sublet	208,062	8.90	148,311	5.73	313,270	8.20	293,019	8.07
Other Lines	17,355	0.74	73,805	2.85	34,969	0.92	13,132	0.36
Equip Rental - Short Term	15,156	0.65	4,938	0.19	9,204	0.24	13,706	0.38
Equip Lease - Long Term	3,219	0.14	0	0.00	0	0.00	2,051	0.06
TOTAL SALES	**2,336,654**	**100.00**	**2,588,891**	**100.00**	**3,818,911**	**100.00**	**3,631,335**	**100.00**
MARGINS								
New Equipment	155,949	12.98	124,347	9.05	116,286	6.65	143,450	8.03
Used Equipment	51,412	15.10	38,971	9.20	61,467	6.53	80,610	10.06
Total New and Used	**207,361**	**13.45**	**163,318**	**9.09**	**177,753**	**6.61**	**224,060**	**8.65**
Repair Parts	163,469	29.68	168,372	29.81	211,785	27.45	205,757	28.56
Service Labor	107,109	51.48	78,418	52.87	169,125	53.99	149,553	51.04
Other Lines	2,346	13.52	19,805	26.83	2,760	7.89	4,240	32.29
Equip Rental - Short Term	5,598	36.94	4,277	86.61	7,442	80.86	9,635	70.30
Equip Lease - Long Term	3,219	100.00	0	0.00	0	0.00	2,051	100.00
TOTAL OPERATING MARGIN	**489,102**	**20.93**	**434,190**	**16.77**	**568,865**	**14.90**	**595,296**	**16.39**
EXPENSES								
Salaries - Sales Dept	40,623	1.75	39,498	1.53	37,220	0.97	38,560	1.06
Travel and Training	6,548	0.28	5,286	0.20	6,394	0.17	5,260	0.14
Advertising Promotion & Demonstrations	17,366	0.74	14,090	0.54	23,614	0.62	21,052	0.58
After Sales and Warranty Expense	5,477	0.23	14,711	0.57	18,427	0.48	17,607	0.48
TOTAL SALES EXPENSE	**70,214**	**3.00**	**73,585**	**2.84**	**85,655**	**2.24**	**82,479**	**2.27**
Salaries - Owners & Store Managers	48,779	2.09	43,832	1.69	47,363	1.24	54,162	1.49
Salaries - Parts Dept	41,812	1.79	36,915	1.43	48,193	1.26	48,050	1.32
Salaries Office and Other	20,717	0.89	22,100	0.85	25,931	0.68	25,447	0.70
Occupance Expense	32,154	1.38	21,140	0.82	38,550	1.01	33,086	0.91
Utilities (Except Telephone & Radio)	6,622	0.28	8,378	0.32	10,163	0.27	9,738	0.27
Telephone & Fax	6,342	0.27	6,520	0.25	7,723	0.20	6,977	0.19
Office Expense & Equip Rental	7,471	0.32	8,095	0.31	9,562	0.25	9,014	0.25
Computer Expense	5,980	0.26	7,452	0.29	7,177	0.19	6,865	0.19
Shop Expense & Equip Rental	10,187	0.44	12,047	0.47	20,292	0.53	12,764	0.35
Car & Truck Expense & Rental	20,450	0.88	20,066	0.78	28,908	0.76	20,582	0.57
Taxes - Other (except P/R & R.E.)	4,176	0.18	7,704	0.30	4,801	0.13	3,105	0.09
Payroll Taxes & Employee Benefits	41,810	1.79	37,702	1.46	57,757	1.51	68,715	1.89
Dues and Publications	744	0.03	1,049	0.04	1,213	0.03	917	0.03
Insurance - All (Except Group & R.E.)	18,738	0.80	21,167	0.82	27,308	0.72	19,213	0.53
Legal, Auditing & Other Prof Fees	5,296	0.23	2,078	0.08	3,959	0.10	5,694	0.16
Bank Charges	19,575	0.84	18,283	0.71	20,857	0.55	20,870	0.57
Depreciation Other (Veh, Equip, etc.)	16,798	0.72	5,253	0.20	15,225	0.40	14,681	0.40
Bad Debts	6,518	0.28	6,867	0.27	1,054	0.03	5,979	0.16
Contributions and Miscellaneous	3,016	0.13	1,713	0.07	1,937	0.05	2,228	0.06
TOTAL EXPENSE	**387,399**	**16.58**	**361,946**	**13.98**	**463,628**	**12.14**	**450,566**	**12.41**
NET PROFIT ON SALES	**101,703**	**4.35**	**72,244**	**2.79**	**105,237**	**2.76**	**144,730**	**3.99**
OTHER INCOME	**31,427**	**1.34**	**81,545**	**3.15**	**63,581**	**1.66**	**65,660**	**1.81**
NET OPERATING PROFIT OR LOSS (Before Income Taxes)	**133,130**	**5.70**	**153,789**	**5.94**	**168,818**	**4.42**	**210,390**	**5.79**

Northern Plains		Middle Plains		Southern Plains/Delta		Pacific		Western Canada		Eastern Canada	
Amount	% Sales	Amount	% Sales	Amount	% Sales	Amount	% Sales	Amount	% Sales	Amount	% Sales
1,698,821	44.11	2,291,176	49.39	1,360,659	51.53	1,989,275	50.00	1,827,962	44.28	1,657,876	49.20
861,296	22.36	1,075,750	23.19	353,081	13.37	288,602	7.25	995,277	24.11	628,520	18.65
2,560,117	**66.48**	**3,366,926**	**72.58**	**1,713,740**	**64.90**	**2,277,877**	**57.25**	**2,823,239**	**68.38**	**2,286,396**	**67.85**
865,908	22.48	833,468	17.97	733,993	27.80	886,690	22.29	893,561	21.64	738,083	21.90
317,994	8.26	325,749	7.02	151,802	5.75	490,932	12.34	334,155	8.09	300,833	8.93
98,603	2.56	54,327	1.17	25,356	0.96	245,453	6.17	73,266	1.77	30,518	0.91
8,503	0.22	37,307	0.80	12,704	0.48	77,725	1.95	4,366	0.11	13,735	0.41
0	0.00	21,351	0.46	3,139	0.12	126	0.00	0	0.00	0	0.00
3,851,125	**100.00**	**4,639,128**	**100.00**	**2,640,734**	**100.00**	**3,978,803**	**100.00**	**4,128,587**	**100.00**	**3,369,565**	**100.00**
112,751	6.64	209,191	9.13	156,086	11.47	301,516	15.16	170,507	9.33	173,307	10.45
68,980	8.01	80,226	7.46	41,903	11.87	40,231	13.94	98,294	9.88	74,022	11.78
181,731	**7.10**	**289,417**	**8.60**	**197,989**	**11.55**	**341,747**	**15.00**	**268,801**	**9.52**	**247,329**	**10.82**
252,810	29.20	264,637	31.75	235,494	32.08	298,617	33.68	241,675	27.05	232,413	31.49
154,068	48.45	156,753	48.12	67,522	44.48	252,980	51.53	157,363	47.09	115,209	38.30
25,971	26.34	6,003	11.05	3,756	14.81	82,220	33.50	14,954	20.41	5,022	16.46
5,183	60.95	13,964	37.43	6,215	48.92	40,368	51.94	3,708	84.93	12,606	91.78
0	0.00	447	2.09	3,139	100.00	126	100.00	0	0.00	0	0.00
619,763	**16.09**	**731,221**	**15.76**	**514,115**	**19.47**	**1,016,058**	**25.54**	**686,501**	**16.63**	**612,579**	**18.18**
45,957	1.19	61,190	1.32	31,990	1.21	80,689	2.03	57,424	1.39	50,886	1.51
7,608	0.20	8,806	0.19	5,208	0.20	8,724	0.22	10,081	0.24	5,034	0.15
31,138	0.81	33,149	0.71	12,045	0.46	22,938	0.58	33,077	0.80	21,133	0.63
17,838	0.46	19,807	0.43	6,100	0.23	35,987	0.90	22,495	0.54	17,262	0.51
102,541	**2.66**	**122,952**	**2.65**	**55,343**	**2.10**	**148,338**	**3.73**	**123,077**	**2.98**	**94,315**	**2.80**
67,177	1.74	73,846	1.59	41,364	1.57	77,858	1.96	65,269	1.58	50,732	1.51
66,450	1.73	56,769	1.22	41,581	1.57	85,188	2.14	67,936	1.65	48,765	1.45
36,617	0.95	31,912	0.69	24,256	0.92	57,817	1.45	40,330	0.98	30,263	0.90
36,984	0.96	54,425	1.17	48,493	1.84	57,293	1.44	49,355	1.20	59,538	1.77
9,750	0.25	10,104	0.22	7,152	0.27	12,289	0.31	9,327	0.23	11,271	0.33
11,201	0.29	8,247	0.18	6,615	0.25	12,372	0.31	12,813	0.31	16,209	0.48
11,742	0.30	15,658	0.34	10,914	0.41	9,081	0.23	15,461	0.37	21,274	0.63
9,755	0.25	7,149	0.15	6,013	0.23	6,693	0.17	11,528	0.28	5,754	0.17
17,513	0.45	17,343	0.37	7,831	0.30	33,460	0.84	10,741	0.26	15,061	0.45
33,608	0.87	27,004	0.58	14,989	0.57	35,439	0.89	35,661	0.86	34,037	1.01
2,829	0.07	5,385	0.12	6,910	0.26	19,052	0.48	3,393	0.08	7,057	0.21
58,639	1.52	79,806	1.72	34,239	1.30	96,097	2.42	35,316	0.86	32,708	0.97
1,154	0.03	1,593	0.03	881	0.03	2,860	0.07	871	0.02	3,631	0.11
21,860	0.57	33,427	0.72	32,235	1.22	31,900	0.80	11,189	0.27	16,363	0.49
4,482	0.12	5,905	0.13	2,506	0.09	11,786	0.30	5,078	0.12	5,549	0.16
31,174	0.81	26,686	0.58	10,631	0.40	39,625	1.00	51,601	1.25	36,531	1.08
16,009	0.42	20,794	0.45	15,120	0.57	41,069	1.03	12,997	0.31	16,563	0.49
1,148	0.03	4,869	0.10	4,565	0.17	6,804	0.17	4,575	0.11	1,149	0.03
5,228	0.14	4,415	0.10	3,383	0.13	3,926	0.10	8,110	0.20	3,863	0.11
545,861	**14.17**	**608,289**	**13.11**	**375,021**	**14.20**	**788,947**	**19.83**	**574,628**	**13.92**	**510,633**	**15.15**
73,902	**1.92**	**122,932**	**2.65**	**139,094**	**5.27**	**227,111**	**5.71**	**111,873**	**2.71**	**101,946**	**3.03**
86,775	**2.25**	**109,776**	**2.37**	**75,411**	**2.86**	**90,294**	**2.27**	**94,784**	**2.30**	**43,948**	**1.30**
160,677	**4.17**	**232,708**	**5.02**	**214,505**	**8.12**	**317,405**	**7.98**	**206,657**	**5.01**	**145,894**	**4.33**

Successful Dealers of 1990

Agricultural Dealers Balance Sheets By Sales - by Region

	Northeast		Southeast		Corn Belt		Lake States	
	% Total Assets	Amount	% Total Assets	Amount	% Total Assets	Amount	% Total Assets	Amount
ASSETS								
Cash and Marketable Securities	87,929	6.77	197,451	12.15	110,725	4.84	148,237	7.33
Customer Receivables	118,560	9.13	194,125	11.95	174,030	7.61	91,044	4.50
Factory Receivables & Other	7,308	0.56	5,949	0.37	7,388	0.32	17,153	0.85
TOTAL RECEIVABLES	213,797	16.46	397,525	24.47	292,143	12.78	256,434	12.68
INVENTORIES								
New Equipment	623,246	47.99	729,306	44.89	1,104,295	48.31	1,045,982	51.72
Used Equipment	94,792	7.30	135,733	8.35	326,628	14.29	287,921	14.24
Repair Parts	165,638	12.75	194,515	11.97	315,774	13.82	273,115	13.50
Other Lines	8,176	0.63	29,419	1.81	16,607	0.73	4,929	0.24
Rental/Lease Equip	11,125	0.86	296	0.02	22,428	0.98	2,939	0.15
TOTAL INVENTORIES	902,977	69.53	1,089,269	67.04	1,785,732	78.13	1,614,886	79.85
TOTAL CURRENT ASSETS	1,116,774	85.99	1,486,794	91.51	2,077,875	90.91	1,871,320	92.53
Fixed Assets	161,694	12.45	110,127	6.78	147,866	6.47	133,253	6.59
Finance Reserve and Other Assets	20,232	1.56	27,808	1.71	59,942	2.62	17,832	0.88
TOTAL ASSETS	1,298,700	100.00	1,624,729	100.00	2,285,683	100.00	2,022,405	100.00
LIABILITIES AND NET WORTH								
Accounts Payable, Accruals, S/T Notes	162,078		177,092		286,300		139,776	
Floor Plan Notes Payable	559,809		734,757		1,178,691		1,089,220	
Long Term Payable	80,306		44,609		133,995		87,637	
TOTAL LIABILITIES	802,193	61.77	956,458	58.87	1,598,986	69.96	1,316,633	65.10
Net Worth	496,507	38.23	668,271	41.13	686,697	30.04	705,772	34.90
TOTAL LIABILITIES AND NET WORTH	1,298,700		1,624,729		2,285,683		2,022,405	

Employee and Service Data/Inventory Turns - by Region

	Northeast	Southeast	Cornbelt	Lake States
PERSONNEL AND SERVICE SHOP DATA				
Avg Nmbr Employees Per Dealer - Incl. Owners	11.90	11.40	15.70	13.80
Avg Total Sales Per Employee	196,086	227,095	243,242	262,991
Avg Total Assets Per Employee	109,134	142,520	145,584	146,551
Avg Number of Salesmen - Including Owners	3.20	2.40	3.80	3.60
Avg New and Used Sales Per Salesman	481,896	748,763	707,892	719,130
Avg Number of Partsmen	1.80	1.80	2.50	2.00
Avg Parts Sales Per Partsman	305,996	313,780	308,590	360,279
Avg Number of Servicemen	5.30	5.30	7.50	6.80
Avg Service Sales Per Serviceman	39,256	27,983	41,769	43,091
Avg Number of Office Employees	1.30	1.70	1.60	1.30
Avg Number of Other Employees	0.30	0.20	0.30	0.10
Avg Wage Rate of Top Mechanic	9.79	9.03	9.41	9.88
Avg Wage Rate of Regular Mechanic	7.61	6.95	7.72	8.01
Avg Shop Rate Charged Customers	27.66	26.33	27.42	29.58

	Amount	Times Turn	Amount	Times Turn	Amount	Times Turn	Amount	Times Turn
INVENTORIES								
New Equipment	623,246	1.68	729,306	1.71	1,104,295	1.48	1,045,982	1.57
Used Equipment	94,792	3.05	135,733	2.83	326,628	2.69	287,921	2.50
Repair Parts	165,638	2.34	194,515	2.04	315,774	1.77	273,115	1.88
Other Lines	8,176	1.84	29,419	1.84	16,607	1.94	4,929	1.80
Rental/Lease Equip	11,125	0.86	296	2.23	22,428	0.08	2,939	1.39
TOTAL INVENTORIES	902,977	2.05	1,089,269	1.98	1,785,732	1.82	1,614,886	1.88
CURRENT RATIO								
Ownership Equity	38.23%		41.13%		30.04%		34.90%	
Turnover of Total Assets	1.80 Times		1.59 Times		1.67 Times		1.80 Times	
Return on Total Assets	10.25		9.47		7.39		10.40	
Return on Net Worth	26.81		23.01		24.58		29.81	

Northern Plains		Middle Plains		Southern Plains/Delta		Pacific		Western Canada		Eastern Canada	
Amount	% Total Assets	Amount	% Total Assets	Amount	% Total Assets	Amount	% Total Assets	Amount	% Total Assets	Amount	% Total Assets
281,839	11.41	229,830	8.65	160,180	8.59	217,192	9.65	145,759	5.83	29,243	1.51
137,737	5.58	204,675	7.71	210,680	11.29	375,626	16.69	148,145	5.92	144,267	7.46
14,131	0.57	21,966	0.83	147,127	7.89	20,601	0.92	24,510	0.98	67,084	3.47
433,707	**17.56**	**456,471**	**17.19**	**517,987**	**27.76**	**613,419**	**27.25**	**318,414**	**12.73**	**240,594**	**12.44**
1,194,479	48.36	1,148,717	43.25	904,446	48.48	928,546	41.25	1,249,208	49.94	832,282	43.03
262,356	10.62	405,007	15.25	137,618	7.38	133,348	5.92	406,719	16.26	362,449	18.74
372,899	15.10	347,130	13.07	219,983	11.79	318,379	14.14	350,790	14.02	250,803	12.97
2,000	0.08	5,930	0.22	9,542	0.51	64,138	2.85	15,070	0.60	18,332	0.95
24,934	1.01	40,511	1.53	717	0.04	11,568	0.51	377	0.02	34,017	1.76
1,856,668	**75.16**	**1,947,295**	**73.32**	**1,272,306**	**68.20**	**1,455,979**	**64.68**	**2,022,164**	**80.84**	**1,497,883**	**77.44**
2,290,375	**92.72**	**2,403,766**	**90.51**	**1,790,293**	**95.96**	**2,069,398**	**91.93**	**2,340,578**	**93.57**	**1,738,477**	**89.88**
122,874	4.97	182,263	6.86	60,352	3.23	152,895	6.79	149,748	5.99	162,936	8.42
56,915	2.30	69,864	2.63	14,995	0.80	28,800	1.28	11,205	0.45	32,775	1.69
2,470,164	**100.00**	**2,655,893**	**100.00**	**1,865,640**	**100.00**	**2,251,093**	**100.00**	**2,501,531**	**100.00**	**1,934,188**	**100.00**
288,623		234,633		166,261		301,982		382,564		454,830	
1,337,043		1,414,902		836,776		809,132		1,438,836		802,898	
75,584		142,317		103,617		165,709		126,804		86,991	
1,701,250	**68.87**	**1,791,852**	**67.47**	**1,106,654**	**59.32**	**1,276,823**	**56.72**	**1,948,204**	**77.88**	**1,344,719**	**69.52**
768,914	31.13	864,041	32.53	758,986	40.68	974,270	43.28	553,327	22.12	589,469	30.48
2,470,164		**2,655,893**		**1,865,640**		**2,251,093**		**2,501,531**		**1,934,188**	

Northern Plains	Middle Plains	Southern Plains/Delta	Pacific	Western Canada	Eastern Canada
13.20	17.90	11.50	17.10	13.80	13.80
291,751	257,976	229,356	232,671	299,172	244,171
187,133	148,373	162,229	131,642	181,270	140,158
2.80	4.90	2.90	4.00	4.10	3.90
914,327	687,127	590,944	569,469	688,594	586,255
2.50	2.50	1.90	3.10	2.50	1.90
346,363	333,387	386,312	286,029	357,424	388,464
6.00	7.80	5.00	7.10	5.30	5.60
52,999	41,762	30,360	69,145	63,048	53,720
1.50	2.00	1.60	1.90	1.60	1.80
0.40	0.70	0.10	1.00	0.30	0.60
10.63	9.75	8.94	12.99	14.04	14.21
8.40	7.57	6.95	10.29	11.52	11.50
28.00	29.40	29.83	37.05	39.52	38.85

Amount	Times Turn	Amount	Times Turn	Amount	Times Turn	Amount	Times Turn	Amount	Times Turn	Amount	Times Turn
1,194,479	1.33	1,148,717	1.81	904,446	1.33	928,546	1.82	1,249,208	1.33	832,282	1.78
262,356	3.02	405,007	2.46	137,618	2.26	133,348	1.86	406,719	2.21	362,449	1.53
372,899	1.64	347,130	1.64	219,983	2.27	318,379	1.85	350,790	1.86	250,803	2.02
2,000	36.32	5,930	8.15	9,542	2.26	64,138	2.55	15,070	3.87	18,332	1.39
24,934	0.13	40,511	0.58	717	9.05	11,568	3.23	377	1.75	34,017	0.03
1,856,668	**1.74**	**1,947,295**	**2.01**	**1,272,306**	**1.67**	**1,455,979**	**2.03**	**2,022,164**	**1.70**	**1,497,883**	**1.84**
31.13%		32.53%		40.68%		43.28%		22.12%		30.48%	
1.56 Times		1.75 Times		1.42 Times		1.77 Times		1.65 Times		1.74 Times	
6.50		8.76		11.50		14.10		8.26		7.54	
20.90		26.93		28.26		32.58		37.35		24.75	

All Dealers
Outdoor Power Equipment
Operating Data

Approximately 85 percent of the responses to the "1990 Cost of Doing Business" came from dealers engaged primarily in the sales and service of agricultural equipment and with a sideline of outdoor power equipment. Approximately 4 percent indicated they were primarily engaged in the outdoor power equipment business.

Unfortunately, the few responses received from outdoor power equipment dealers rendered it impossible to tabulate volume group and regional studies. *Also, the number of responses falls far short of the requirements for a statistically accurate study.* Nevertheless, the averages of all outdoor power equipment dealers reporting are presented here, for whatever interest or value they have to those who are engaged in the sales and servicing of outdoor power equipment.

	Amount	% of Total
SALES		
New Equipment	1,020,476	56.87
Used Equipment	209,049	11.65
Total New and Used	**1,229,525**	**68.51**
Parts, Oil, Grease, Tires, etc.	371,494	20.70
Service Labor - Cust, Internal, Sublet	153,789	8.57
Other Lines	24,225	1.35
Equip Rental - Short Term	15,506	0.86
Equip Lease - Long Term	0	0.00
TOTAL SALES	**1,794,539**	**100.00**
MARGINS		
New Equipment	119,318	11.69
Used Equipment	19,306	9.24
Total New and Used	**138,624**	**11.27**
Repair Parts	110,807	29.83
Service Labor	80,662	52.45
Other Lines	2,745	11.33
Equip Rental - Short Term	11,116	71.69
Equip Lease - Long Term	0	0.00
TOTAL OPERATING MARGIN	**343,954**	**19.17**
EXPENSES		
Salaries - Sales Dept	28,831	1.61
Travel and Training	3,408	0.19
Advertising Promotion & Demonstrations	22,374	1.25
After Sales and Warranty Expense	4,691	0.26
TOTAL SALES EXPENSE	**59,304**	**3.30**
Salaries - Owners & Store Managers	36,822	2.05
Salaries - Parts Dept	34,368	1.92
Salaries Office and Other	22,847	1.27
Occupance Expense	38,826	2.16
Utilities (Except Telephone & Radio)	8,762	0.49
Telephone & Fax	6,334	0.35
Office Expense & Equip Rental	8,282	0.46
Computer Expense	5,538	0.31
Shop Expense & Equip Rental	7,740	0.43
Car & Truck Expense & Rental	15,234	0.85
Taxes - Other (except P/R & R.E.)	5,142	0.29
Payroll Taxes & Employee Benefits	37,354	2.08
Dues and Publications	1,060	0.06
Insurance - All (Except Group & R.E.)	18,121	1.01
Legal, Auditing & Other Prof Fees	4,545	0.25
Bank Charges	19,470	1.08
Depreciation Other (Veh, Equip, etc.)	10,679	0.60
Bad Debts	3,894	0.22
Contributions and Miscellaneous	1,177	0.07
TOTAL EXPENSE	**345,499**	**19.25**
NET PROFIT ON SALES	**-1,545**	**-0.09**
OTHER INCOME	**23,889**	**1.33**
NET OPERATING PROFIT OR LOSS (Before Income Taxes)	**22,344**	**1.25**

	Amount	% of Total
ASSETS		
Cash and Marketable Securities	53,432	5.30
Customer Receivables	77,446	7.69
Factory Receivables & Other	1,854	0.18
TOTAL RECEIVABLES	**132,732**	**13.17**
INVENTORIES		
New Equipment	539,989	53.58
Used Equipment	93,357	9.26
Repair Parts	125,834	12.49
Other Lines	12,145	1.21
Rental/Lease Equip	8,380	0.83
TOTAL INVENTORIES	**779,705**	**77.37**
TOTAL CURRENT ASSETS	**912,437**	**90.54**
Fixed Assets	75,025	7.44
Finance Reserve and Other Assets	20,290	2.01
TOTAL ASSETS	**1,007,752**	**100.00**
LIABILITIES AND NET WORTH		
Accounts Payable, Accruals, S/T Notes	203,190	
Floor Plan Notes Payable	443,974	
Long Term Payable	61,023	
TOTAL LIABILITIES	**708,187**	**70.27**
Net Worth	299,565	29.73
TOTAL LIABILITIES AND NET WORTH	**1,007,752**	

PERSONNEL AND SERVICE SHOP DATA		
Avg Nmbr Employees Per Dealer - Incl. Owners	9.90	
Avg Total Sales Per Employee	181,266	
Avg Total Assets Per Employee	101,793	
Avg Number of Salesmen - Including Owners	3.10	
Avg New and Used Sales Per Salesman	396,620	
Avg Number of Partsmen	1.60	
Avg Parts Sales Per Partsman	232,183	
Avg Number of Servicemen	3.80	
Avg Service Sales Per Serviceman	40,470	
Avg Number of Office Employees	1.20	
Avg Number of Other Employees	0.20	
Avg Wage Rate of Top Mechanic	10.21	
Avg Wage Rate of Regular Mechanic	7.80	
Avg Shop Rate Charged Customers	33.23	
INVENTORIES		
New Equipment	539,989	1.67
Used Equipment	93,357	2.03
Repair Parts	125,834	2.07
Other Lines	12,145	1.77
Rental/Lease Equip	8,380	0.52
TOTAL INVENTORIES	**779,705**	**1.86**
CURRENT RATIO		
Ownership Equity	29.73%	
Turnover of Total Assets	1.78	
Return on Total Assets	2.22%	
Return on Net Worth	7.46%	

Ten Important Financial and Operating Ratios

Financial records, carefully maintained, provide dealers with the only sound measuring device for business success. They help measure the ability of their business to generate profits and to meet claims against it. And they provide the basis, also, for isolating the business's strengths and weaknesses and may even, through analysis, suggest how best to plan for profits and to maintain solvency.

With this in mind, the following ratios have been developed from year-end operating statements and balance sheets submitted by dealers in the current studies. Adequate records will enable comparisons of these ratios that are very valuable to the dealer.

■ Current Ratio

Figure by dividing Current Assets by Current Liabilities.

This ratio compares the total of cash, and the items which will be converted into cash, with debts which must be paid soon. Thus, the ratio reflects ability to handle current debts.
A ratio of the two-to-one ($2 of Current Assets for each $1 of Current Liabilities) is considered satisfactory. When the ratio falls below two to one, creditors have a greater interest in Current Assets than the owner.

■ Employee Studies

Comparison of your sales per employee in each category to the averages is the first step in measuring employee efficiency. The next step is to compare your current year figures to previous years.

■ Ownership Equity

Figure by dividing Net Worth by Total Assets.

Ownership Equity is shown on the "Net Worth" line of the balance sheet in the column headed "% Total Assets."

This ratio shows how much of the business is proprietor-owned; and conversely, by subtracting the percentage from 100 percent, it shows how much of the business is financed by outside capital (creditors).

When Net Worth is less than 50 percent of Total Assets, creditors have a greater interest in the assets than proprietors.

■ Receivables Turnover

Figure by dividing the total of Repair Parts and Service Sales by Accounts Receivable.

The turnover rate is meaningful when customer receivables are related to the corresponding customer sales of the dealership. Since internal sales of parts and labor have not been separated from customer sales in th s urvey, turnover is not calculated.

This ratio shows if receivables are in proportion to the amount of business transacted and might be used every month to good advantage. Divide sales year-to-date by receivables and compare with the ratio for the same period in the past two or three years. Unfavorable trends can thus be detected.

■ Net Working Capital Turnover

Net Working Capital is determined by subtracting Current Liabilities from Current Assets.

Rate of turnover is figured by dividing Sales by Net Working Capital.

The number of times Net Working Capital turns over in a year is a good measure of activity for any business. It is a sensitive indicator of over trading or under trading. And, it is a good test of how adequate Net Working Capital is for the firm's scale of operations.

When the ratio is too high, it is usually because the dealership is short of cash, and heavy on receivables and paid-for inventory. This situation promotes borrowing, or sale of equipment at a loss, to meet payroll and other fixed obligations. When it is too low, inefficient use of capital in the receivables, inventory, cash or a combination of these is in excess of the needs of the business.

■ Inventory to Net Working Capital

Figure by dividing Inventory by Net Working Capital.

This ratio for most dealers in the farm and power equipment industry is extremely high because inventories are characteristically heavy and represent a major portion of Total Current Assets, and because of heavy financing of whole goods.

In most other retail lines, inventory requirements are relatively smaller and supplier credit terms are shorter.

■ Turnover of Total Assets

Figure by dividing Sales by Total Assets.

The importance of this ratio is illustrated by the dealership with $750,000 of Total Assets that achieves Total Sales of $1,500,000. While another, with an equal amount of assets, achieves a Total Sales of only $1,000,000. The first is more efficient in its use of assets.

However, a high rate of turnover is not necessarily the key to profits. As in the ratio, Sales to Net Working Capital, high turnover may be an indicator of inadequate capital in relation to sales volume. Also, high usage of rental property by a dealer usually results in a high rate of turnover.

■ Return on Assets

Figure by dividing Net Profit by Total Assets.

This ratio is also an important test of operating efficiency. It is a test of management's use of the assets in the business. It lays aside all problems related to the source of funds, whether such funds are obtained from capital investment, borrowings or purchases on credit. It shows the return on total capital invested in the business (owner capital plus outside capital), which is represented by Total Assets.

■ Return on Net Worth

Figure by dividing Net Profit by Net Worth.

Using this ratio, it is important that a fair salary for the owner be included in operating expenses of the business. The owner's time is certainly worth something. Therefore, all Net Profit ratios should be based upon the profit after this salary is paid.

Adequacy of profit must be measured on investment returns, as well as compensate for risks.

■ Inventory Turnover

Figure by dividing Cost of Sales by Inventory.

Cost of sales figures is not reported in this study but should be figured by subtracting Margin from the corresponding Sales.

This ratio shows the number of times inventory is bought and sold during the year, reflected in "turnover" in the balance sheet studies.

Associations Serving Dealers in North America

Alabama Farm & Power Equip. Dealers Assoc.
P. O. Box 431
Luverne, Alabama 36049
Phone: 205/335-5627
Exec. V. P. Edward L. Turner, Jr.

Canada West Equip. Dealers Assoc.
2921 - 15th Street, N. E.
Calgary, Alberta T2E 7L8 CANADA
Phone: 403/250-7581
Exec V. P. William J. Lipsey

Carolinas Equip. Dealers Assoc.
P. O. Drawer 3776
Wilson, North Carolina 27893
Phone: 919/291-0560
Exec. V. P. Edward D. Biggs

Deep South Equip. Dealers Assoc.
P. O. Box 1191
Baton Rouge, Louisiana 70821-1191
Phone: 504/383-5064
Exec. V. P. Jimmy D. Dillon, CAE

Far West Equip. Dealers Assoc.
1601 N. Main Street, Suite 202
Walnut Creek, California 94596
Phone: 415/934-4451
Exec. V. P. & Mgr. G. A. Huerter

Farm Equip. Assoc. (of MN & SD)
121 East Park Square
Owatonna, Minnesota 55060
Phone: 507/451-1136
Acting Pres. Melvin J. Ptacek

Illinois Retail Farm Equip. Assoc.
P. O. Box 1227
Peoria, Illinois 61654
Phone: 309/688-6676
Exec. V. P. Victor J. Zoschak

Indiana Implement Dealers Assoc.
9800 Association Court
Indianapolis, Indiana 46280
Phone: 317/844-5259
Exec. V. P. David C. Lucy

Iowa-Nebraska Farm Equip. Assoc.
P. O. Box 65840
West Des Moines, Iowa 50265-0840
Phone: 515/223-5119
Exec. V. P. Dennis P. Schwitters

Kentucky Farm & Power Equip. Dealers Assoc.
10877 Watson Road, Suite 300
St. Louis, Missouri 63127-1081
Phone: 314/966-5757
Admin. Mgr. Joseph R. Dykes

Michigan Equip. Dealers Assoc.
P. O. Box 26008
Lansing, Michigan 48909
Phone: 517/393-0600
Exec. V. P. Richard J. Ahti

Mid-Atlantic Equip. Dealers Assoc.
2400 Valley Avenue, Room 3
Winchester, Virginia 22601-2760
Phone: 703/667-6123
Exec. V. P. John E. Shaw, Jr.

Mid-South Farm Equip. Assoc.
P. O. Box 17777
Memphis, Tennessee 38187-0777
Phone: 901/756-1336
Exec. V. P. & CEO Mike Caraway

Mississippi Valley Equip. Assoc.
10877 Watson Road, Suite 300
St. Louis, Missouri 63127-1081
Phone: 314/966-5757
Exec. V. P. Joseph R. Dykes

Montana Hardware & Implement Assoc.
P. O. Box 440
Helena, Montana 59624
Phone: 406/442-3388
Exec. V. P. Charles Brooks

Mountain States Hardware & Implement Assoc.
1380 Carr Street
Lakewood, Colorado 80215
Phone: 303/233-2101
Managing Dir. John Zapor

New England Equip. Dealers Assoc.
P. O. Box 895
Concord, NH 03302-0895
Phone: 603/225-5510
Managing Dir. George M. Becker

New York Equip. Dealers Assoc.
128 Metropolitan Park Drive
Liverpool, New York 13088
Phone: 315/457-0314
Exec. V. P. Richard H. McQuatters

North Dakota Implement Dealers Assoc.
P. O. Box 2524
Fargo, North Dakota 58108
Phone: 701/293-6822
Exec. V. P. Robert L. Lamp

Ohio Assoc. of Farm & Power Equip. Retailers
P. O. Box 68
Dublin, Ohio 43017
Phone: 614/889-1309
Exec. V. P. David Kahler

Ontario Retail Farm Equip. Dealers' Assoc.
Box 430, 64 Temperance Street
Aurora, Ontario L4G 3L5 CANADA
Phone: 416/841-6888
Exec. V. P. Glen E. Peart

Pacific Northwest Assoc.
333 S.W. 5th Avenue, Room 606
Portland, Oregon 97204
Phone: 503/226-1641
Pres. Ronald F. Moore

Penn-Jersey Farm & Power Equip. Dirs. Assoc.
4605 Locust Lane
Harrisburg, PA 17109-4494
Phone: 717/545-2381 or 545-3120
Exec. V. P. Arthur J. Smith

Assoc. des Marchands de Machines Aratoires de la Province de Quebec (Quebec Association)
P. O. Box 590
Bedford, Quebec J0J 1A0 CANADA
Phone: 514/248-7668
Exec. Dir. Rene Maurice

Southeastern Farm & Power Equip. Assoc.
428 Academy Avenue
Dublin, Georgia 31021
Phone: 912/272-5400
Exec. Dir. Billy L. Adams, CAE

Southwest Association
4629 Mark IV Parkway
Ft. Worth, Texas 76106
Phone: 817/625-5562
Exec. V. P. Allen E. Murfin

Virginia Equip. Dealers Assoc.
10806 Trade Road
Southport Industrial Park
Richmond, Virginia 23236
Phone: 804/379-2099
Exec. V. P. David G. Ottaway, CAE

Western Association
P. O. Box 419264
Kansas City, Missouri 64141
Phone: 816/561-5323
CEO Jeffrey H. Flora, CAE

Wisconsin Farm Equip. Assoc.
P. O. Box 44364
Madison, Wisconsin 53711
Phone: 608/276-6700
Exec. V. P. Terry L. Willborn